

RAILROAD RETIREMENT AND INSURANCE COVERAGE

The following has been prepared for those who have either reached or are nearing retirement age and who are trying to determine the best timing for starting their retirement. One of the most important (and often overlooked) costs that could affect your retirement decision is the cost of insurance. The insurance falls into two major categories: (1) insurance cost for you, and (2) insurance cost for your spouse.

NOTE: If you are single, then the only part of the following that will affect you will be the cost of the "supplemental" coverage that either covers or offsets the cost of insurance deductibles in the primary policy.

The scenarios below have been developed in attempt to represent the most common situations that married retirees face, both in taking "early retirement" (60/30 prior to age 65) and retiring at 65 years of age or later. As a reminder, **any questions** you might have, including additional information on coverage for other than you and/or your spouse, **can be directed to United Health Insurance at (800-842-9905), option 2.**

Retiring Early (Ages 60-65 w/30 yrs service)

If you have thirty (30) years of service prior to reaching age 60 then you can retire with full benefits on or after the age of 60. At that point, you will move from the active employment insurance coverage (GA-23000) to the retirement supplement insurance coverage (GA-46000). The early retirement supplement coverage is a limited insurance approximately equal to the 80% major medical plan we used to have under Travelers in the 1980's. The lifetime maximum is very limited in the event you or your wife has a serious illness, so a supplement to that policy is recommended. It covers most of the remaining 20% and increases the lifetime maximum dramatically.

Cost of GA-46000 – Furnished by the Railroad (\$100 Deductible)

This plan is furnished to employees and their spouses who qualify for full retirement after the age of 60 (60/30, 62, etc.) but who retire before the age of 65. It is basically a major-medical policy that, after a \$100.00 per person deductible is met, covers 80% of medical costs **with a maximum lifetime benefit of \$131,500 per person**. This plan covers both the retired employee and the spouse at no additional cost and continues prescription coverage with Medco. However, costs can increase considerably when the employee reaches age 65 if his/her spouse is younger (see below).

Cost of Plan E, Supplement to GA-46000 -- \$207.00 per month

This plan is a supplement coverage to the GA-46000 early retirement plan. When purchased it **increases the maximum lifetime coverage to \$500,000**. The GA-46000 coverage, coupled with the supplement Plan E, pays 94% of medical expenses after the \$100.00/person deductible is paid. It does not cover some costs, such as annual physicals not related to an illness. When filing claims, the GA-46000 will be the primary policy with the Plan E being the secondary coverage that will fill in when the primary coverage is either exceeded or exhausted. The premium for Plan E is \$207.00 per month for the retired employee and \$207.00 per month for his/her spouse which also covers other dependents living with them.

What does this mean to you in dollars?

Retirement insurance costs can severely impact those retired employees who are older than their spouses. Whether they wait until they reach the age of 65 to retire, or retire early under the 60/30 option, they will be faced with increased insurance costs for younger spouses.

- At age 65, the retired employee must move to Medicare coverage whether they retired early or worked until 65 (shown below). *[NOTE: This does not apply to employees who continue to work beyond the*

age of 65. They and their dependents will continue to be covered under the GA-23000 active employee insurance until they retire. See "Retiring at Age 65, or Later" below]

- The retired employee who has attained age 65 must then pay COBRA payments to continue coverage for their spouse under their former insurance until their spouse reaches the age of 65. Those payments are both expensive and limited to a maximum of 36 months. If your spouse is more than three years younger than you, the option of covering him/her will end 36 months after you reach the age of 65, after which time you will be forced to leave the spouse without insurance coverage or purchase a policy from another source.

Please note the following scenarios to help you understand the insurance coverage costs of early retirement as well as retirement at/after age 65. ALL OF THESE PREMIUM AMOUNTS REFLECT INCREASES EFFECTIVE SEPTEMBER 1, 2012:

Example No. 1 – Employee is married, under the age of 65 and qualifies for early retirement:

GA-46000 is provided at no cost to both employee and spouse (\$100 deductible).

Supplement Plan E (employee)	\$207.00	(94% coverage)
Supplement Plan E (spouse/family)	<u>207.00</u>	(94% coverage)

Total monthly cost: \$414.00 until employee reaches age 65.

Example No. 2 – Early retired employee reaches 65 and younger spouse's age is within 36 months of employee's age:

Costs up until time employee reaches age 65 are the same as above. Once the employee moves under Medicare coverage, the insurance coverage and costs change:

GA-46000 COBRA (spouse)	\$777.34	
Supplement Plan E (spouse)	<u>207.00</u>	(94% coverage)
<i>Spouse Subtotal:</i>	\$984.34	
Employee (Medicare supplement)	<u>185.00</u>	(100% coverage-prescription coverage is extra)

Total monthly cost: \$1,169.34 until spouse reaches age 65.

Example No. 3 – Spouse is more than 3 years younger than employee:

Costs are the same as in Example No. 2, but spouse's coverage will end after the expiration of 36 months under COBRA coverage. Following that date, coverage will have to be found with a third-party carrier to cover the spouse until Medicare age of 65.

Dental and Vision coverage can be extended for retirees and their spouses under COBRA for a **maximum of 18 months** under any of the above retirement scenarios. (This does not apply to the employee who has reached 65. See below for Medicare prescription information.) These COBRA premiums are per person as follows:

Dental	\$32.18 per person
Vision	\$ 5.57 per person

Retiring At Age 65 (or later)

The employee who works until they have reached the age of 65 then retires will immediately move from the group insurance for active employees, Plan GA-23000, to Medicare coverage. Considering the previous information for employees faced with the costly COBRA payments for their younger spouse, some employees will elect to work beyond age 65 until their spouse also reaches age 65 to eliminate the need for the expensive interim coverage. The employee would remain under the GA-23000 until retiring in that scenario, as would their spouse/family, and both would move directly to Medicare coverage upon retirement at spouse's age 65.

Some Medicare Information...

A Word about Medicare:

Medicare is, of course, managed and paid for largely by the Federal government and financed by tax dollars. The coverage falls into a two major categories: Medicare A (primarily hospital costs) and Medicare B (doctors, lab tests, etc.). Everyone does not have Medicare A for a variety of reasons but railroad employees "pre-pay" Medicare A premiums while they are working (from the Medicare that is deducted from your paycheck each half). Registration is necessary for both you and your spouse prior to, or by the time, you reach age 65 **even if you continue to work beyond the age of 65.**

Penalties may result from late registration resulting in a permanent increase in Medicare B premiums!

Medicare participants, under law, must share in the cost of Medicare. One fourth of the cost of Medicare is shared by all of the participants with the Federal Government paying the other three fourths. This is reflected in the Medicare B premium paid by the participants.

Medicare covers 80% of whatever care you require. It also has an out-of-pocket deductible that varies year to year which is around \$150-\$200. A Medicare Supplement is available through United Health called Plan F. This no longer includes prescription coverage (see note below) which is available through many companies under the Federal prescription plan. The Medicare supplement Plan F pays **ALL** of the out-of-pocket costs for Medicare and the remaining 20% of coverage not provided by Medicare, which amounts to 100% coverage. Medicare patients must visit physicians who accept them under Medicare which pays them a flat rate. Some doctors do not accept Medicare so you may need to change physicians once you retire.

For the employee who works until age 65 before retiring, and who has a younger spouse, the COBRA payments for continuing coverage are somewhat less than that for early retirees. The 36-month limit allowed for COBRA payments remains but the costs are as follows:

Example No. 1-Med – Employee goes under Medicare but pays COBRA for younger spouse:

Employee Medicare Supplement (Plan F)	\$ 185.00
Spouse COBRA for GA-23000	<u>694.99</u> (see Dental/Vision above)
Total monthly cost:	<i>\$879.99 until spouse reaches 65</i>

The next example can be considered the “optimum” scenario as far as insurance cost and involves the circumstance where an employee and the spouse have both reached the age of 65.

Example No. 2-Med – Employee and Spouse are both ages 65 or older and under Medicare:

Employee Medicare Supplement (Plan F)	\$185.00
Spouse Medicare Supplement (Plan F)	<u>185.00</u>
Total monthly cost:	\$370.00

ABOUT PRESCRIPTIONS & RETIRING UNDER MEDICARE:

Prescription Coverage under Medicare is quite competitive and is available from a wide range of providers. Additional information and costs can be obtained at:

- **United Health Care Medicare RX** **1-888-556-7059**
- **MEDCO Medicare RX** **1-800-758-4574**
- **AARP Medicare RX** **1-888-867-5574**

More information can be obtained at the following Internet link: Learn more at AARPMedicareRx.com